

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Misc. Application No. 72 of 2017

In the matter of:

Application seeking approval on the Surcharge Waiver Scheme for the Domestic, Non-domestic, Private Tubewell and L.T. Industry Category Consumers.

In the matter of:

Uttarakhand Power Corporation Ltd.

... Petitioner

CORAM

Shri Subhash Kumar Chairman

Date of Order: April 02, 2018

The Order relates to the application dated 28.12.2017 filed by UPCL, seeking approval of the Commission on the proposed Surcharge Waiver Scheme for the Domestic, Non-Domestic, Private Tubewell and L.T. Industry Category Consumers.

1. Background and submissions

- 1.1 In the present proposal, UPCL requested the Commission to approve the Scheme to waive off the late payment surcharge (LPS) for the Domestic, Non-Domestic, PTW and L.T. Industry category consumers outstanding as on 31.03.2017 as per the below mentioned details:

“In case of payment of full principal amount of pending latest electricity dues by the Domestic, Non-domestic, Private Tube well and L.T. Industry Category Consumers till 31.03.2018, the 75% rebate will be provided to the consumers on surcharge amount which is levied on principal amount. The consumers, who are willing to avail benefit of this scheme, shall also be allowed to make the payment in upto four monthly installments before 31st March 2018. The surcharge shall be waived off only when all installments of principal and remaining 25% surcharge are paid on or before 31st March 2018”

- 1.2 UPCL further submitted that the consumers of all the above mentioned categories have been demanding rebate in late payment surcharge from time to time. Based on the results of previously implemented schemes and the demand of the consumers or their representatives, it was anticipated that if the rebate on surcharge was provided, some of these consumers would pay the outstanding principal amount. UPCL also estimated that if proposed Surcharge Waiver Scheme was implemented then principal amount to the tune of Rs. 100 Crore could be recovered from the consumers of the above mentioned categories and an amount of Rs. 40 Crore approximately towards surcharge would have to be waived off.
- 1.3 UPCL also submitted that in case of realization of the said Rs. 100 Crore, the regular works of the Corporation could be executed smoothly, and the Corporation would also gain on account of the opportunity cost of the said amount & liquidity of the organization would improve.
- 1.4 The Commission vide its letter dated 17.01.2018 sought justification from UPCL on certain points, and in response to the same UPCL vide its letter dated 27.01.2018 submitted its replies on the same.
- 1.5 The Commission, with an intent to give an opportunity to UPCL proposed a hearing in the matter on 13.03.2018, however, UPCL vide its letter dated 12.03.2018 requested before the Commission to kindly allow them to withdraw the current Petition as there will be no use of introduction of scheme at this juncture since the financial year was about to end and the proposed scheme was intended to be made applicable in FY 2017-18.
- 1.6 The Petitioner's submission and the Commission's views on the same are discussed in the following paras.

2. Commission's views and decision

- 2.1 The Commission vide its various letters dated July 29, 2016, August 17, 2016 and December 22, 2016 had already informed UPCL that the scheme for waiver of DPS gives a wrong message to honest consumers and UPCL was advised to refrain itself from allowing such schemes. The relevant extract from the above referred letter is reproduced hereunder:

Reference: Commission's letter dated 29.07.2016

"In this regard, you may kindly note that vide Tariff Order dated 05.04.2016 the Commission had at Para 2.12.1.3 expressed the following views on the scheme of waiver of delayed payment surcharge being initiated by UPCL:

"The Commission is of the view that the objective of Delayed Payment Surcharge is to recover the cost of funds for delayed payment by the consumers, and the main objective of DPS is to act as deterrent so that the consumers pay their bill on time. The Commission agrees to the submission made by the stakeholders that the Scheme for Waiver of DPS gives a wrong message to the honest consumers. UPCL is advised to refrain itself from allowing such schemes & infact should be cautious to recover its dues from the consumers in time."

Apparently, UPCL ignored the Commission's advice to refrain from waiving off DPS. Moreover, waiver to LT Industrial consumers who form less than 0.5% of total consumer base and more than 3% of the total revenue, as approved by the Commission, appears to be an inappropriate measure since all the KCC consumers are supposed to be monitored by the licensee in terms of their load factor, energy billing as well as payment of energy bills in time.

...

Therefore, the proposal submitted by the licensee is not acceptable. In accordance with the provision of the Act / Regulation / Orders of the Commission in this regard, the licensee has the option to either ask the Government to subsidise it with the amount of DPS waived or bear this burden as the same cannot be passed on to the consumers. You are, accordingly, directed to record the amount of DPS waived off separately and submit the same to the Commission during the APR proceedings of FY 2016-17."

Reference: Commission's letter dated 17.08.2016

"...In this regard, the Commission vide its Tariff Order dated 05.04.2016 for FY 2016-17, had already taken a view in the matter as intimated to you vide the Commission's letter dated 29.07.2016.

Further, in case UPCL continues to waive off surcharge amount it shall not be allowed in tariffs to be passed on to the consumers. For this purpose, you may either approach GoU for allowing subsidy equal to the amount to be waived off under the Scheme or UPCL shall have to bear the aforesaid amount of surcharge from its own resources."

- 2.2 In response to the justification sought by the Commission from UPCL for the proposed scheme, UPCL vide its letter dated 27.01.2018 submitted that if proposed scheme is allowed, an amount of Rs. 100 Crore can be recovered from the consumers and an amount of Rs. 40 Crore towards surcharge shall have to be waived off, which in turn would improve the liquidity of the organization and eventually the benefit on account of reduction of working capital can be passed on to the consumers. In this regard, the Commission is of the view that there is no merit in the justification submitted by UPCL for the implementation of the proposed scheme as this would lead to loss of revenue due to waiver of delayed payment surcharge to the organization which would be borne by the consumers of the State and will give a wrong message to the honest consumers. Moreover, allowing such practice will serve as an incentive for the defaulters and they might use it as a tool to wilfully indulge in such practice to gain benefit out of such schemes at a later date.
- 2.3 With regard to difference in the no. of defaulters, outstanding principal amount and outstanding surcharge of LT industry as on 31.03.2016 and 31.03.2017 as pointed out by the Commission, UPCL submitted that the data has been reported to the Commission as per the Commercial Diary, and justification for the differences has been sought from the field units which will take some time. In this regard, the Commission is of the view that UPCL is in a habit to propose such Schemes without verifying the impact and implications of the same. Sanctity of the data submitted by it under affidavit before the Commission should be verified.
- 2.4 Further, in response to the information sought by the Commission regarding details of category wise connections disconnected having arrears between 31.03.2016 and 31.03.2017, UPCL vide its letter 27.01.2018 submitted the details in this regard. The Commission analysed the details submitted by UPCL and observed that, UPCL has submitted that total 5,914 LT industrial consumers were disconnected for non-payment of dues during FY 2016-17. However, in the Petition filed by UPCL for approval of the scheme the number of defaulting LT Industrial consumers were considered by UPCL as 5,515 consumers out of total 10,097 LT Industrial consumers. Hence, the Commission is of the view that it would not be wrong to infer that such connections would only have been

reconnected after settling the amount of arrears since such large number of consumers cannot remain disconnected for much longer. Same was the case with the PTW consumers.

- 2.5 The Commission would like to point out that these kinds of scheme for waiver of DPS proposed by the licensee have no merit of being approved by the Commission. In accordance with the provisions of the Act/Regulation/Orders of the Commission in this regard, the licensee has the option to either ask the Government to subsidise it with the amount of DPS waived or bear this burden as the same cannot be passed on to the consumers. Further, the ground of filing the Petition by UPCL was that the defaulting consumers had been demanding rebate in late payment surcharge from time to time so that they can pay their bills. However, UPCL instead of taking steps to recover its dues from such consumers is giving them privilege first to default in making timely payment of their dues and then waiving off the surcharge levied on delayed payments.
- 2.6 In view of the above discussions, the Commission accepts the request of UPCL to withdraw the above Petition and, accordingly, disposes of the matter as rejected.
3. Ordered accordingly.

(Subhash Kumar)
Chairman